CONSERVATION AND DEVELOPMENT REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2000

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Conservation and Development Revolving Fund as at March 31, 2000 and the statements of operations and accumulated operating deficit, and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Fred Wendel, CMA, CA
Acting Provincial Auditor

Regina, Saskatchewan
July 27, 2000

Statement 1

CONSERVATION AND DEVELOPMENT REVOLVING FUND
BALANCE SHEET
As at March 31

	2000	1999
ASSETS		
Current assets:		
Accounts receivable	$ 268,490	$ 277,471
Inventory	414,380	366,483
	682,870	643,954
Capital assets (Note 5)	2,314,187	2,137,358
	$ 2,997,057	$ 2,781,312
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 186,032	$ 247,651
Unearned revenue	16,682	28,494
	202,714	276,145
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	3,591,327	2,864,332
Equity:		
Accumulated operating deficit (Statement 2)	(796,984)	(359,165)
	$ 2,997,057	$ 2,781,312

(See accompanying notes to the financial statements)

CONSERVATION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING DEFICIT
For the Year Ended March 31

	Budget 2000	Actual 2000	Actual 1999
REVENUES	(Note 6)		
Grazing	$ 5,000,000	$ 4,806,242	$ 4,570,763
Bull wintering	350,000	355,068	310,419
Cow wintering	200,000	158,092	238,821
House rent	65,000	68,700	62,357
Well site and roadway easements	45,000	43,300	51,235
Seismic easement	75,000	20,562	35,248
Hay	30,000	7,493	18,730
Backgrounding	100,000	22,907	76,328
Breeding	---	---	560
Other	---	5,123	22,550
	5,865,000	5,487,487	5,387,011
EXPENSES			
Salaries	2,682,358	2,687,285	2,593,266
Taxes	800,000	799,273	812,486
Repairs and improvements	824,514	760,804	719,128
Rental of equipment, horses and other	321,523	370,549	322,904
Travel	274,360	267,314	308,507
Amortization	175,000	265,636	218,853
Seed and forage	198,000	257,896	436,716
Small tools, equipment and supplies	201,634	161,254	198,986
Utilities	107,236	108,884	105,638
Veterinary fees and supplies	102,351	93,471	111,627
Telephone	85,900	87,320	104,782
Freight and postage	18,695	17,630	8,193
Advertising and printing	13,900	5,830	7,896
Bad debt expense	---	1,551	14,158
(Gain) loss on disposal of capital assets	---	(2,156)	10,858
(Recovery) decline in inventory	---	(268)	1,000
Other	53,425	43,033	28,584
	5,858,896	5,925,306	6,003,582
Net income (loss) (Note 8)	6,104	(437,819)	(616,571)
Accumulated operating (deficit) surplus, beginning of year	(359,165)	(359,165)	257,406
Accumulated operating deficit, end of year – to Statement 1	$ (353,061)	$ (796,984)	$ (359,165)

(See accompanying notes to the financial statements)

CONSERVATION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2000	1999
Financing required for (provided by) operating activities:		
Net loss	$ 437,819	$ 616,571
Items not affecting working capital:		
Amortization	(265,636)	(218,853)
Bad debt expense	(1,551)	(14,158)
Decline in inventory	---	(1,000)
Gain (loss) on disposal of capital assets	2,156	(10,858)
Net increase in working capital items related to operations (Note 11)	113,898	218,253
	286,686	589,955
Financing required for (provided by) investing activities:		
Purchase of capital assets	449,132	478,951
Proceeds from sale of capital assets	(8,823)	(16,171)
	440,309	462,780
Net increase in financing requirements	726,995	1,052,735
Accumulated net expenditure, beginning of year	2,864,332	1,811,597
Accumulated net expenditure, end of year – to Statement 1	$ 3,591,327	$ 2,864,332

(See accompanying notes to the financial statements)

CONSERVATION AND DEVELOPMENT REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2000

1. Authority and Definition

The Conservation and Development Revolving Fund was established pursuant to Section 16 of *The Department of Agriculture Act*. In 1994-95, the Revolving Fund was reactivated to facilitate the management and administration of the Community Pasture Program previously operated by the Department of Agriculture and Food.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. These statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 8. The following policies are considered significant:

a) Net Expenditure (Recovery)

The net expenditure (recovery) is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) includes the following:

i) the net expenditure (recovery) for each fiscal year; and
ii) the book value of assets acquired (disposed of) at no charge from (to) another government agency.

c) Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory consists of livestock, repair parts, livestock feed, minerals and fencing supplies.

d) Capital Assets and Amortization

Capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated operating deficit. Amortization of all capital assets is charged to operations using the straight-line method at the following rates:

Fencing and corrals	10%
Water sites	5%
Buildings	5%
Equipment	10%
Office equipment	25%
Land improvements	10%

Assets acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

e) Unearned Revenue

Unearned revenue consists of grazing revenue that will be earned in future periods. These amounts are included in income when the revenue is earned.

3. Authorized Financing

Subsection 16(11) of *The Department of Agriculture Act* provides for a maximum accumulated net expenditure, which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of $10,000,000.

4. Disposition of Accumulated Operating Surplus (Deficit)

In accordance with subsection 16(5) of *The Department of Agriculture Act*, the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated operating surplus (deficit) for the Revolving Fund shall be $700,000. Treasury Board has also specified that if at the end of the fiscal year the accumulated surplus (deficit) exceeds the maximum, then the surplus (deficit) in excess of the maximum shall, as soon as possible after the close of the fiscal year, be paid to (from) the General Revenue Fund.

However, if any deficit is in fact a subsidy and not a deficit due to business fluctuations, it is recovered from the Department's appropriation in the same year. The Department budgets for a subsidy to the Revolving Fund in the same year that the deficit is expected to occur.

5. Capital Assets

	2000			1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Fencing and corrals	$ 650,481	$ 197,655	$ 452,826	$ 466,328
Water sites	385,113	57,331	327,782	283,579
Equipment	1,321,360	382,521	938,839	1,010,629
Buildings	381,349	81,883	299,466	261,770
Office equipment	89,889	33,687	56,202	78,657
Land improvements	255,687	16,615	239,072	36,395
Total	$ 3,083,879	$ 769,692	$ 2,314,187	$ 2,137,358

6. Budget

Treasury Board approves the Revolving Fund's budget annually.

7. Related Party Transactions

Included in these financial statements are the following transactions with Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Revolving Fund by virtue of common control or significant influence by the Government of Saskatchewan.

The Revolving Fund purchased utility and communication services of $186,583 (1999 - $237,806) from SaskPower, SaskEnergy and SaskTel and purchased vehicle rentals, insurance and supplies of $185,054 (1999 - $136,985) from Saskatchewan Property Management Corporation and Saskatchewan Government Insurance. These transactions are in the normal course of operations and are recorded at the standard rates charged by these corporations.

The Revolving Fund paid employee benefits of $157,028 (1999 - $138,552) to Public Service Superannuation Fund, Public Employees Superannuation Fund, Public Employees Disability Income Fund and Public Employees Group Life Insurance Fund.

The Revolving Fund receives use of Crown land, office space and administrative services from the Department without charge. In addition, the Revolving Fund pays Education and Health Tax to the Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

As at March 31, 2000, $20,291 (1999 - $27,046) was due to Government agencies as a result of the transactions referred to above.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Amount Reported in Public Accounts

The net (expenditure) recovery of the Revolving Fund reported in the Public Accounts is the net (loss) income of the Revolving Fund adjusted for the following differences between the Revolving Fund and the General Revenue Fund:

	2000	1999
Net loss from operations	$ (437,819)	$ (616,571)
(Increase) decrease in inventory balance recorded by the Revolving Fund	(47,897)	39,335
(Increase) in net capital assets recorded by the Revolving Fund	(176,829)	(320,449)
Timing differences in recording revenue/payments	(27,608)	(112,508)
Net (expenditure) reported in the Public Accounts	$ (690,153)	$ (1,010,193)

9. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that affect the amount, timing and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is $317,735 at March 31, 2000 with an allowance for doubtful accounts of $49,245. Some of the receivables were received shortly after year end reducing the credit risk.

c) Receivables/Payables

These financial instruments are non-interest-bearing and are due or payable within one year. Due to this short-term maturity, the carrying value of these financial instruments approximates their fair value.

10. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

11. Net Change in Working Capital Items Related to Operations

	2000	1999
Working capital changes:		
(Decrease) increase in accounts receivable	$ (7,430)	$ 137,513
Increase (decrease) in inventory	47,897	(38,335)
Decrease in accounts payable	61,619	140,190
Decrease (increase) in unearned revenue	11,812	(21,115)
	$ 113,898	$ 218,253

12. Commitments on Leased Farm Equipment

As of March 31, 2000, the Fund is committed to future lease payments of:

2000/01	$76,274
2001/02	$35,692
2002/03	$20,821
2003/04	$13,676